



Irish Life MAPS®

QUARTER 3 (Q3) 2016: JULY TO SEPTEMBER

Welcome to the MAPS quarterly update for Q3 2016. In this edition...

- We review some key moments and economic events impacting on stock markets and investor confidence during quarter 3 (July to September)
- Which asset classes were up and which were down?
- A review of the key drivers of performance within MAPS
- The asset classes explained
- A closer look at some of the strategies used to manage risk in MAPS

IRISH LIFE MAPS® FUND PERFORMANCE

Over the quarter, investment markets continued the rebound post Brexit and generated strong returns, particularly in shares. The prompt appointment of Theresa May provided initial comfort around issues of government leadership into Brexit but has done little to ease broader market concerns around the impact of Brexit itself.

The table below shows the total returns to end of Quarter 3 2016 on each of the five Irish Life MAPS funds since launch (17 May 2013) and over the last 1, 2 and 3 years. Irish Life MAPS (Multi Asset Portfolio Funds) is a long-term investment and we would always urge caution when looking at fund performances over time periods of less than five years.

FUND	MAP2	MAP3	MAP4	MAP5	MAP6
SINCE LAUNCH	14.1%	19.5%	27.3%	33.2%	27.8%
3 YEARS	15.8%	22.3%	31.8%	37.7%	35.4%
2 YEARS	9.8%	13.7%	17.9%	20.7%	18.2%
1 YEAR	6.4%	8.9%	11.6%	13.8%	16.3%

Source: 'Moneymate'. Gross returns shown to 30 September 2016, before any fund management charge.

Warning: The value of your investment may go down as well as up.

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ECONOMIC LOOK-BACK Q3 2016

CENTRAL BANKS WIDE OF THE MARK...

Central Banks around the world are faced with different yet significant challenges as a result of the two speed nature of the economic recovery. Markets were disappointed with the European Central Bank for neither cutting rates nor expanding the existing support programme. Meanwhile the US Federal Reserve did not raise rates in September when expected to, but indicated an increase in December is increasingly likely. The Bank of England surprised markets positively by re-launching asset purchases and cutting interest rates. The common backdrop is global growth in positive territory (forecast at 2.4 % for 2016) and stronger than feared when recessionary concerns were at their peak in Quarter 1.



MONEY, MONEY, MONEY...

Company Earnings for Quarter 2 were released in Quarter 3 and exceeded expectations by approximately 5% in the US, 3% in Japan and 2% in Europe which provided some support for stock markets although forecasts had been downgraded previously.

BREXIT...

Certainty around the early appointment of Theresa May may have helped ease political concerns initially but her conviction that "Brexit means Brexit" has not eased market concerns. That said, UK economic releases were much more resilient than expected but currency markets are watching and sterling is showing signs of potentially weakening as article 50 (that sets Brexit in motion) becomes more of a reality.

(TURM)OIL...

A volatile quarter with oil prices trading in a 22% range although ending up only -1.2%. This was largely driven by higher output and rising inventory levels and uncertainty about supply versus demand heading into the key winter period. OPEC has since announced their intention to cap production, supporting the price rebound towards the end of the quarter.

CHINESE WISPA...

'Official' economic data was somewhat mixed during the quarter but finished on an improving note in September. Growth looks to have stabilised at around 6.5%, around the same growth rate predicted for chocolate sales out to 2020!

SHARES, BONDS, COMMODITIES AND CURRENCIES

Investment markets continued the rebound post Brexit and generated strong returns, particularly in shares. In the US, economic data strengthened early in the quarter, easing concerns relating to the global economy. Bonds once again experienced steady gains over the quarter benefiting from persistent low inflation and the continued decline in future inflation expectations. The Eurozone 5 year plus sovereign bond rose 1.1% during the quarter. German 10 year yields fell to new all-time lows of -0.20% before ending the quarter at -0.12%. The Euro rose against the US dollar from \$1.111 to \$1.124 while Brexit is starting to weigh on the value of sterling.

Over the quarter, the World equity benchmark rose 5.2% (4.2% in euro). Emerging markets rose 7.7% (7.9% in euro) as economic data across Emerging Market countries continued to stabilise and Emerging Market equity funds experienced strong inflows. The UK rose 7.0% (2.8% in euro) as economic releases post Brexit were more resilient than expected while a weaker sterling continued to support exporters. The US lagged, rising 4.1% (2.9% in euro), impacted by growing expectations of a rate rise in December and uncertainty related to the upcoming Presidential election.

Source: David Haslam, Head of Retail, Irish Life Investment Managers (ILIM), October 2016.

IRISH LIFE MAPS® ASSET SPLIT

There are five Irish Life MAPS funds to suit different attitudes to risk. The table below shows the strategic asset mix for each of the funds. As you can see the lower risk fund Multi Asset Portfolio 2 (MAP2) has a very high percentage in bonds and cash, which are traditionally less volatile assets. The higher risk fund MAP6 is predominantly invested in shares, which are traditionally more volatile than bonds or cash but have, in the past, given better long-term returns.

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FUND NAME	MAP2	MAP3	MAP4	MAP5	MAP6
Bonds	42%	25.50%	10.50%	0%	0%
External Managers/Alternatives	22%	22%	22%	15%	5%
Property	6%	7.50%	7.50%	7.50%	5%
Emerging Market Shares	0%	0%	0%	10%	32%
Low Volatility Shares	7%	14%	20%	17.50%	8%
Global Shares*	13%	26%	40%	50%	50%
Cash	10%	5%	0%	0%	0%

* See page 5 for more details.

The table shows the strategic asset mix and ILIM rebalance back to this mix on a quarterly basis. The information is correct at at 30 September 2016. For the latest Irish Life MAPS fund mixes, see the factsheet at www.irishlife.ie.

ILIM will continue to monitor and review these assets and may change them over time.

IRISH LIFE MAPS® DIVERSIFICATION

As the table above shows each of the Irish Life MAPS funds is diversified across a range of asset types - shares, bonds, property, cash and external managers / alternatives.

Within each of these different asset types there is even further diversification, which is shown in detail on pages 5-7. This means that each of the Irish Life MAPS funds is highly diversified across asset type, within each asset type and across investment manager and strategy.

This level of diversification aims to ensure that the performance of the funds is not dependent on any one asset type, sector, geographical region, investment manager or investment style. Removing this dependence aims to produce a smoother investment journey over the longer term.

Warning: The value of your investment may go down as well as up.

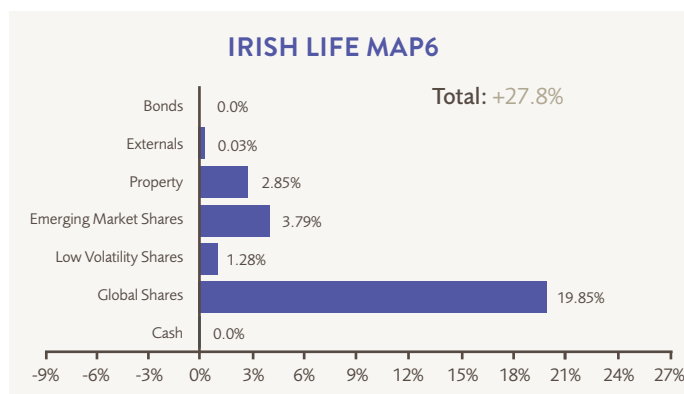
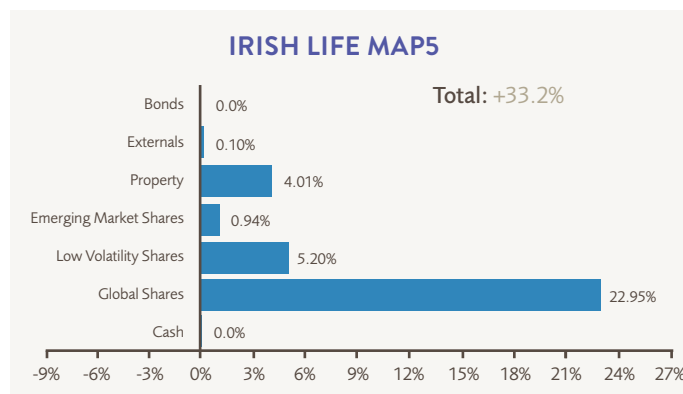
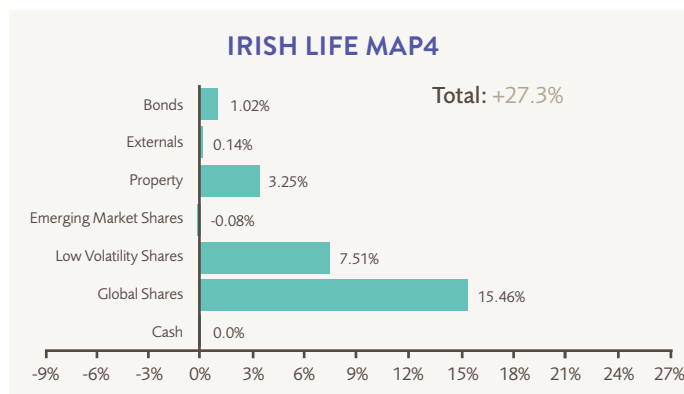
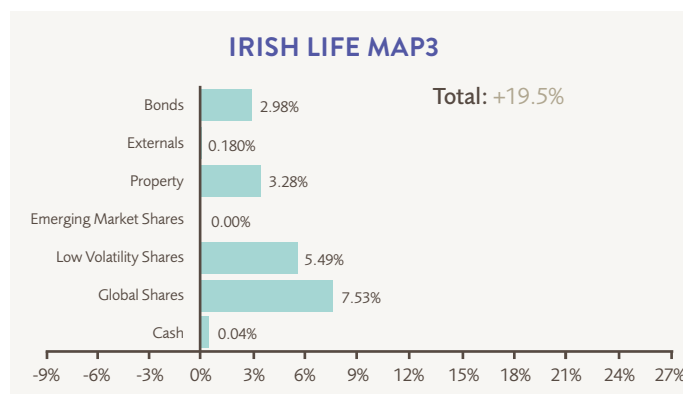
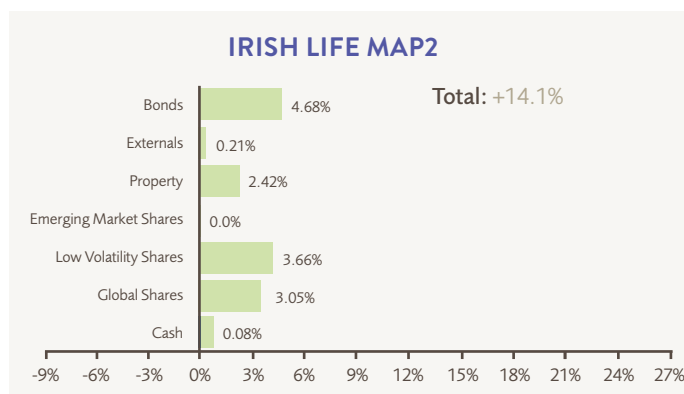
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PERFORMANCE BREAKDOWN

The graphs below split out the performance for each Irish Life MAPS fund over the last three years (17 May 2013 to 30 September 2016) into each of the component asset classes. For more on these asset classes see pages 5-7.

Taking Irish Life MAP2 as an example, it is up 14.1% over this three-year period. This 14.1% can be broken down as shown with 3.66% coming from Low Volatility Shares, 4.68% from Bonds, 2.42% from Property, 0.08% from Cash, 0.21% from External Managers and 3.05% from Global Shares.



Source: ILIM, 30 September 2016.

The data above is based on Money Mate fund performance and the breakdown of the individual asset class returns is approximate. Performance is gross of taxes and charges. The data above allows for the effect of the annual reviews of the funds over that period, for example, the move from Minimum Volatility Shares to Low Volatility Shares, the change in External Managers in 2015, the move from Developed Market Shares to Global Shares etc. It also allows for the impact of tactical allocations over the period.

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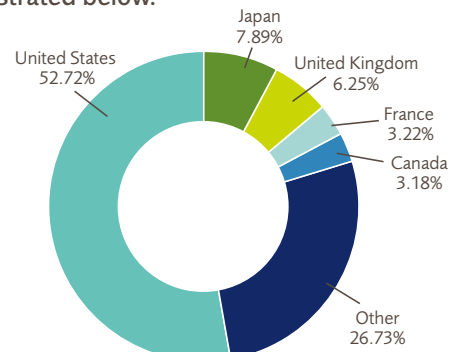
Warning: Past performance is not a reliable guide to future performance.

1 Shares

GLOBAL SHARES

- ILIM track the performance of a large global share index.
- We use the DSC model (explained on page 10) on Global Shares.
- Global Shares includes about 10% in Emerging Market Shares.
- For the percentage of Global Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

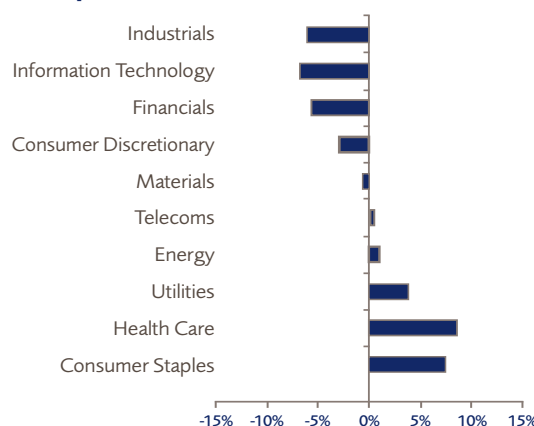
The geographic split of the index is illustrated below.



LOW VOLATILITY SHARES

- Using a detailed, quantitative strategy, ILIM choose shares from a broad global share index which not only have shown lower volatility in the past but which are also screened for other indicators such as value, for example.
- ILIM choose around 150 shares to make up their Low Volatility Shares fund.
- For more information on our low volatility shares, see page 8. For the percentage of Low Volatility Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

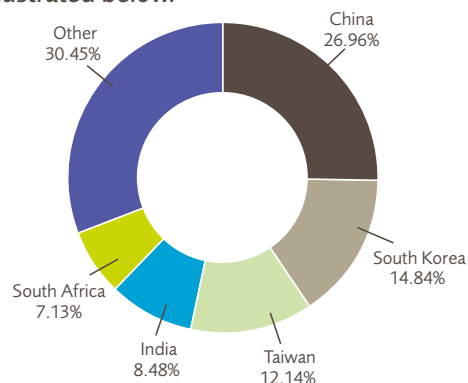
Low Volatility Shares weight compared to the Global Share Index



EMERGING MARKET SHARES

- ILIM track the performance of a broad Emerging Market Share index to provide exposure to Emerging Market Shares.
- The index consists of nearly 833 individual companies which operate in 23 different markets.
- For the percentage of Emerging Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

The geographic split of the index is illustrated below.



The information above is correct as at 30 September 2016.

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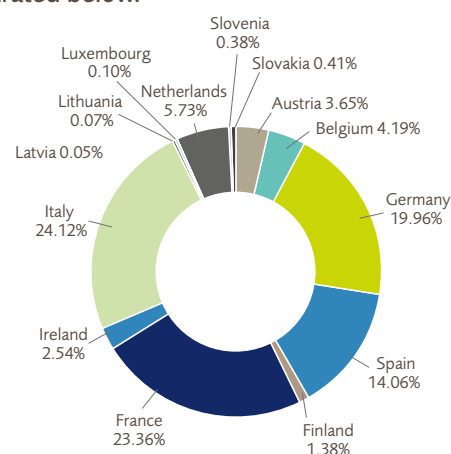
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2 Bonds

GOVERNMENT BONDS

- ILIM currently track the performance of a recognised and leading government bond index to provide exposure to government bonds.
- Within the bond allocation, ILIM choose the proportion to invest in government bonds and have discretion in relation to the index which is tracked.

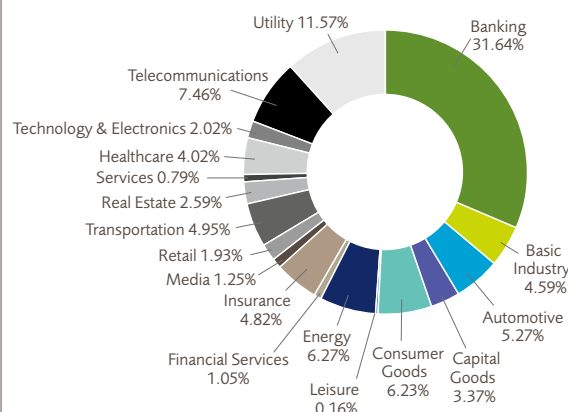
The geographic split of the Index is illustrated below.



CORPORATE BONDS

- ILIM currently track the performance of a recognised and leading corporate bond index to provide exposure to corporate bonds.
- Within the bond allocation, ILIM choose the proportion to invest in corporate bonds and have discretion in relation to the index which is tracked.

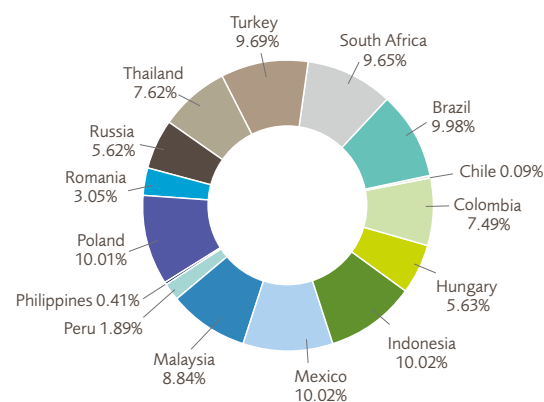
The sector split of the Index is illustrated below.



EMERGING MARKET DEBT

- ILIM currently track the performance of a recognised emerging market bond index to provide exposure to emerging market bonds.
- Within the bond allocation, ILIM choose the proportion to invest in emerging market bonds and have discretion in relation to the index which is tracked.

The geographic split of the Index is illustrated below.



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ASSET CLASSES EXPLAINED CONTINUED...

3 External Managers/Alternatives

ILIM recognise the need to incorporate alternative strategies within the Irish Life MAPS funds and have an active pipeline of external managers they monitor on an on-going basis. ILIM currently give access to eight leading global real and absolute return managers making up each Irish Life MAPS fund's External Managers / Alternatives portion. The percentage allocated to External Managers / Alternatives varies for each Irish Life MAPS fund and the latest factsheet on www.irishlife.ie will show this percentage.

Within this percentage, the target split across the eight managers is shown as well as details of the managers themselves and the fund we invest in.

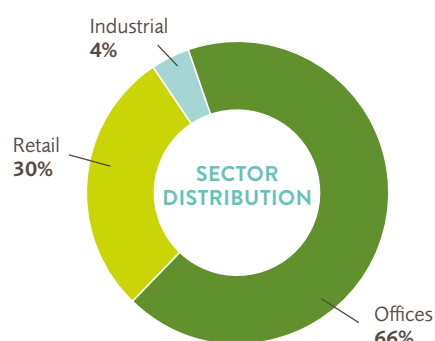
ILIM actively look for managers that can bring diverse performance at the right price. They monitor this performance on an ongoing basis and may choose to change the allocation to external managers or the target allocation within the External Manager allocation. They may also choose to replace, add or remove External Managers as opportunities arise and market conditions change.

Manager	Assets Managed	Fund Name
GMO Source www.gmo.com	\$91 billion*	GMO Real Return Fund
Putnam Source www.putnam.com	\$154 billion**	Putnam Total Return Fund
AQR Source www.aqr.com	\$172.4 billion**	AQR Global Risk Parity AQR Style Premia
Blackrock Source www.blackrock.com	\$4.89 trillion*	Blackrock FIGO Fund
PIMCO Source www.pimco.com	\$1.51 trillion*	PIMCO Income Fund
JP Morgan Asset Management Source www.jpmorgan.com	€1.6 trillion*	JP Morgan Systematic Alpha
Dunn Capital Management Source www.montlakeucits.com	\$1.03 billion*	Montlake Dunn WMA
Morgan Stanley Investment Management Source www.morganstanley.com	\$2 trillion*	MS Diversified Alpha Plus

Information is correct as at *June 30 2016, **September 30 2016.

4 Property

Each Irish Life MAPS fund currently has an allocation to property. Information on the property allocation at the end of September 2016 is shown below:



TOP FIVE HOLDINGS
PROPERTY
2 Grand Canal Square, Dublin, Ireland
City Gate, Mahon, Co Cork, Ireland
City Quay, Dublin, Ireland
Georges Quay, Ireland
Stephen Court, Dublin, Ireland

TOTAL VALUE OF THESE PROPERTIES



The portfolio comprises of:

- 72 individual property assets
- Leased to over 100 tenants
- Broad mix of commercial property - with exposure to offices, retail and industrial properties.

The information is correct as at 30 September 2016. For the percentage of property invested in each MAP Fund, please see the factsheet on www.irishlife.ie.

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RISK MANAGEMENT

1 Low Volatility Shares

STRATEGY

The strategy aims to deliver equity market returns with lower risk:

- Focus is on minimising maximum losses
- Stock selection is based on a range of low risk factors and defensive qualities.

HOW IT WORKS

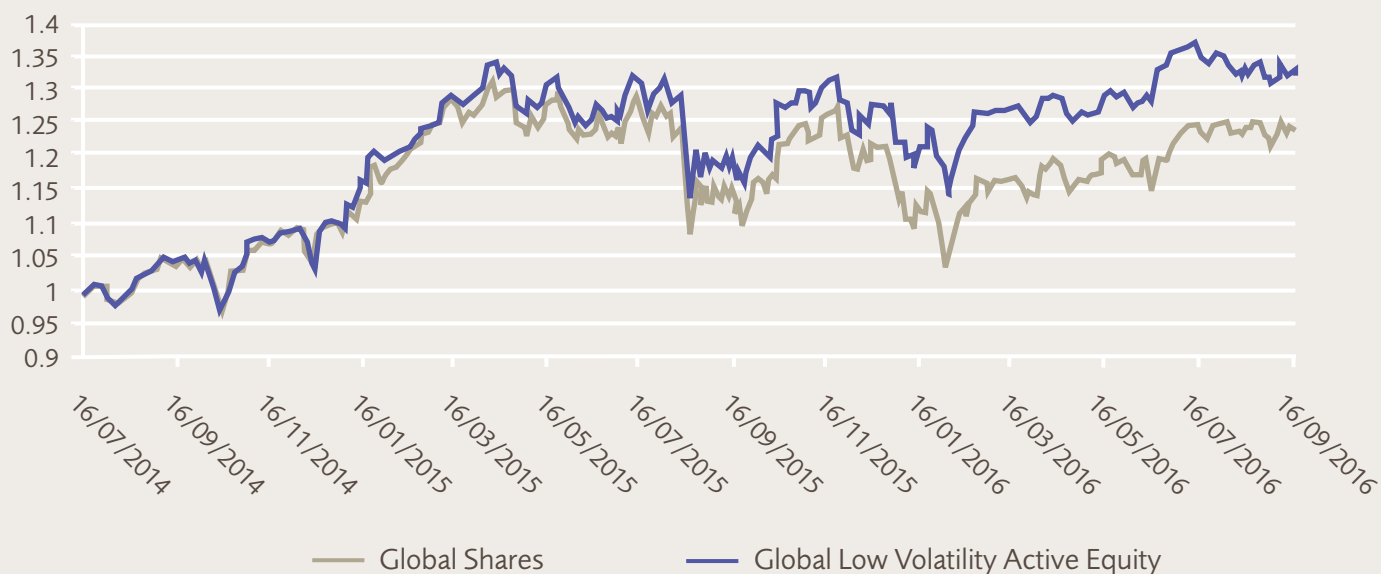
ILIM have identified key factors (valuation, risk, technical, quality and dividend) which when combined with defensive sector allocations minimise the total potential fall experienced by shares over time.

KEY BENEFITS

This strategy aims to deliver the following key benefits to investors:

- Reduce the peak-to-trough losses in periods of market stress
- Manage volatility
- Maintain equity market returns over the longer term.

CUMULATIVE RETURNS



PERFORMANCE SINCE INCEPTION 17 JULY 2014 TO 30 SEPTEMBER 2016		
	Global Low Volatility Active Equity	Global Shares
Total Return	31.93%	23.92%

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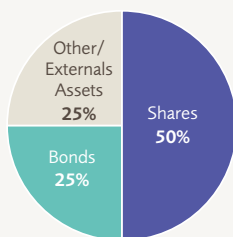
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2 Rebalancing

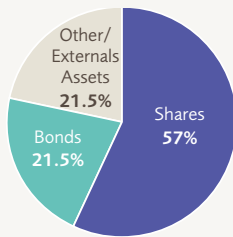
One of the most important risk management tools used by ILIM is quarterly rebalancing of each Irish Life MAPS fund. The example below shows why rebalancing is important and what could happen without it.

START YEAR 1



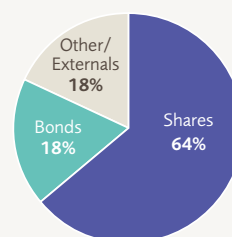
We start with this pie-chart, which shows a fund with 50% in shares, 25% in bonds and 25% in other assets/external managers.

START YEAR 2



If, over the course of a year, shares grew in value by 20%, while bonds and other assets/external managers both fell in value by 10%, then, **without rebalancing**, the second pie-chart shows the new split of the fund. Here 57% of the fund is now invested in shares.

START YEAR 3



If the same thing happened for a second year, we would end up as shown in the third pie-chart, with nearly two-thirds of the fund invested in shares, compared to the 50% we started with. This could mean that the fund is no longer suitable for the investor who chose to invest in the original mix. If the original mix of 50% shares, 25% bonds and 25% other assets/external managers is most suitable for an investor, they will not want to see their fund drift away from this mix over time.

This change in asset split can be avoided by regularly rebalancing the fund to ensure that it stays in line with its intended split. ILIM rebalances each of the Multi Asset Portfolio Funds on a quarterly basis and this means that each fund will not drift over time. This means that you don't have to worry about a fund becoming a higher risk rating than the one originally invested in.

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3 Dynamic Share to Cash Model



Each Irish Life MAPS fund uses the innovative Dynamic Share to Cash (DSC) model. The DSC is a quantitative model that has been developed by ILIM and it uses a number of factors across three broad categories.

The DSC aims to reduce the amount invested in shares and increase the amount in cash when it identifies greater potential for stock market falls.

The factors include:

FACTOR CATEGORY	MARKET MOMENTUM	VALUATIONS	GLOBAL MACROECONOMICS
OBJECTIVE	Take account of trends in shares	Take account of long-term valuation of shares	Take account of the influence of global economics on shares
INDIVIDUAL FACTORS	<ul style="list-style-type: none"> 12-month share market momentum 200-day moving average 	<ul style="list-style-type: none"> Long-term share values Earnings quality Earnings yield Earnings Revisions 	<ul style="list-style-type: none"> Real GDP growth rate Bond yield curve slope Energy price levels
Q3 2016 UPDATE	Moved positive over the quarter due to the strong recovery in markets after the initial Brexit sell-off.	This also increased over the quarter driven by Earnings forecasts improving.	Increased slightly over the quarter but no major change in energy prices or economic growth trends.
Q3 2016 INDICATOR	+	+	+

Based on how these factors move over time, the DSC will decide how much of each Irish Life MAPS fund to invest in Global Shares and how much to invest in cash. ILIM will regularly monitor and review these factors.

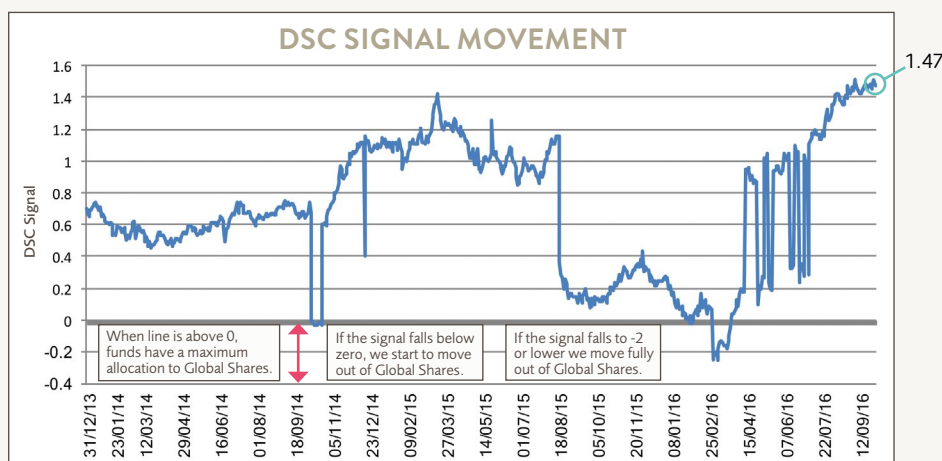
DSC UPDATE FOR QUARTER 3 2016



DSC SIGNAL EXPLAINED

As mentioned we monitor 3 broad categories of market indicators (Momentum in markets, Valuations and Global Macroeconomics) which have 9 underlying inputs that generate a 'signal'. These signals are represented by a number in the graph.

When the signal number is above zero Irish Life MAPS funds will have a maximum allocation to Global Shares but in stressed markets that can reduce.



In stressed markets, if the signal number falls below zero this triggers a switch from Global Shares to Cash in the Irish Life MAPS funds. The more negative the signal number becomes and the more we move out of Global Shares.

If the signal number reaches -2, the allocation to Global Shares is zero.

The graph shows how the DSC Signal has moved from 31/12/2013 until 30/09/2016. It moved up from 0.27 at the end of June 2016 to 1.47 at the end of September 2016. This increase was mainly driven by the Momentum and Valuation category contributions with the recovery in equity markets over the quarter and better earnings forecasts.

As a result of the positive Signal above, all of the Irish Life MAPS funds currently hold their maximum allocation to Global Shares.

To see this allocation, see the latest fund factsheets on www.irishlife.ie.

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ILIM'S CREDENTIALS

ILIM have designed the Irish Life MAPS funds. They have also developed and tested the DSC model and will expertly manage it over time.

ILIM currently take care of over €50 billion of assets for thousands of people across Ireland, including private investors and leading Irish and international companies. By investing in one of these funds through an Irish Life pension, savings or investment plan you will benefit from their experience and expertise.

ILIM are MULTI-AWARD WINNERS. They're recognised internationally for their expertise, innovation and track record:

- INVESTMENT MANAGER OF THE YEAR, three years running at the Irish Pension Awards 2013-2015.
- DOUBLE WINNER at European Pension Awards 2014.
- BEST EQUITY and BEST PASSIVE MANAGER.
- Only European Investment Manager to win twice at those awards.

IRISH LIFE MAPS®:

- > Choice through a range of funds
- > Generating smoother, long-term returns
- > Managing risk to stay on track
- > Delivering peace of mind
- > Available across our pension, investment and savings plans

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For more details please see www.irishlife.ie/investments or contact your financial broker or financial adviser.

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